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Emerging Markets Queries in Finance and Business

# Potential Buyers' Attitude towards Life Insurance Services

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## Abstract

In the context of the evolution of the domestic life insurance market in the past few years and of Romania's difficult economic situation, the Romanian consumers' behavior has changed, more and more of them discontinue life insurance policies. Thus, companies operating in this industry need more than ever to be able to convince consumers of the necessity for the services and products they offer and of their businesses' stability. On the long term, the objective of the life insurance companies has to be strengthening consumer trust in them. For this reason, a marketing quantitative research was carried out regarding potential buyers' attitude towards life insurances, whose results are presented in this paper. The study aimed to determine the prospects' attitude towards the two main types of life insurances, the level of information they have on these services, their purchase intention, the importance given to these services, and the degree of trust in them.

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*Keywords:* attitude; life insurance; potential buyers; quantitative research;

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## 1. Introduction

Nowadays, in developed countries insurances have the status of almost indispensable products, because they have a role in maintaining a high level of social security, protection of a person's health and life, as well as his/hers property. However, the assurances should be viewed not only as a means of protection against

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risks since insurance companies are currently offering a multitude of “products” which also meet other needs, such as those of saving and investing.

## 2. Research Methodology

For this study, a research problem was identified and was defined as follows: “Currently, the Romanians’ mentality towards life insurance is still quite reserved. For this reason, and because of insufficient knowledge and understanding of this type of insurance, life insurance companies are forced to focus some of their efforts on designing marketing strategies meant to change prospects’ attitudes in the desired direction. This activity is generally long-lasting, requires significant funding, is difficult and it may need extensive promotional efforts.”

Considering the problem presented in the previous lines, this research aimed to study the attitude of potential buyers towards life insurance services and was carried among the population of one of the major Romanian cities – Ploiești. The sample was composed of 100 high-school or university graduate employees and students, aged between 18 and 35 and having different levels of education and income, 32% of them being males.

In order to achieve this goal, we chose a quantitative research which was conducted in a field setting. The dissemination of the questionnaire was made by a few agents who were instructed regarding the field activity.

For determining the structure of the sample, it was decided to resort to probabilistic sampling, more specifically to the systematic random sampling method.

The tool used to gather the data was conceived so that it would filter out the consumers who already benefit from a life insurance policy, who are working in any of the areas related to the theme of the study - marketing, marketing research or insurance - and / or who have participated in the last six months in a similar study; it was designed according to the objectives of the research: determining the nature of the overall attitude of respondents towards life insurance, their attitude towards the two main types of life insurances, their level of information on these services, their purchase intention (the life insurance company and the temporal distance they are considering), the motivations behind their intention to take out a life insurance policy, their reasons for not intending to purchase, the extent to which different sources of information contributed to the decision to buy a life insurance policy in the future, the importance given to these services, the degree of trust in them, how they evaluate the value of the insurance premium, finding out their opinion about the diversity of services / products offered by life insurance companies, their opinion on the work quality of life insurance agents, on the quality of clauses contained in the life insurance contract, their opinion about the security offered by the insurance intermediaries (i.e.: brokers), about the transparency of calculations included in life insurance policies, about the flexibility in modifying life insurance contracts or type of life insurance. It should be mentioned that the questionnaire was pre-tested on a small number of respondents, but their answers were not taken into consideration in the analysis and interpretation of information.

Starting from research objectives and taking into account the information obtained from secondary sources investigation (the results of previous research) regarding consumers’ behavior in the case of life insurance services, we developed the hypotheses below:

1. most of the respondents have an unfavorable overall attitude towards life insurances;
2. the number of subjects who have a favorable attitude towards traditional life insurances exceeds that of prospects who have a favorable attitude towards unit-linked insurances;
3. more than 50% of respondents are insufficiently informed about life insurances;
4. most of the interviewees who intend to take out a life insurance policy will opt for ING, and their intention is quite temporally distanced from the present (six months to two years);
5. over 60% of those who do not intend to insure their life invoke reasons of a financial nature or related to their priorities;
6. more than 50% of the investigated individuals consider life insurance as being less important;
7. the degree of trust in this type of financial services of the majority of respondents is low;

8. over 60% of investigated persons consider that the insurance premium value is high;
9. most of the respondents believe that the work quality of life insurance agents is low;
10. more than 50% of the interviewees consider the quality of beneficiaries' clauses contained in the contract of life insurance as average.

### 3. Research Findings

The first objective of the research presented in this paper refers to determining the nature of the overall attitude of subjects towards the financial services in discussion. The research showed that the young population of Ploiești has a slightly favorable attitude towards life insurance services, which does not confirm the first hypothesis. In support of this statement is the fact that 51% of respondents have a favorable or even very favorable attitude toward this type of insurance.

Regarding the type of life insurances, the traditional ones managed to get a higher score (3.59) compared to unit-linked insurance (3.29), 62% of interviewees having a favorable attitude towards them (see Annex 4). We conclude that, despite the "financial earthquakes" that have been recorded lately, the investment component of a life insurance does not have much impact on the prospects from Ploiești. All this confirms the second hypothesis of the research.

Among those subjects who declared they were indifferent to life insurances with an investment component (40%) there were only 3 people who know this type of life insurance. Therefore, we can state that the attitude of the others stems from a lack of information, since they are familiar only with traditional life insurance.

Regarding the respondents' level of information on life insurance, the majority of them know the local offer in a proportion of less than 20%. On this basis we conclude that the insurances category which is the subject of this study is not sufficiently present in the social consciousness of Romania.

In respect of the types of life insurance, the most frequently mentioned were the life insurances with a pension component (57%) and the traditional life insurances (56%), the latter being insurances with a protection component. On the basis of this study, we concluded that life insurances with a savings component and unit-linked insurances (with an investment component) are known to a small extent by the persons questioned.

Despite a lack of information on existing life insurance supply in Romania, most people (64%) responded that they intend to take out such insurance in the future, meaning that the Romanian potential insurant is aware of the role that life insurance has in protecting his family. 45.3% of them are going to opt for ING, a company that currently takes first place in the life insurance companies ranking. Also, 29.7% of those who intend to get insured chose as a response "I have not thought about it / do not know", which can mean that the promotional activity of Romanian insurance companies in Romania is not sufficient or could be better designed.

According to the research that we conducted, 28.1% of respondents intend to contract a life insurance in a period of more than two years. In addition, a significant proportion (40.6%) is represented by the people who are not decided on the period in which they will buy such insurance, and this is most likely caused by the uncertainty presented by life insurance agents.

In the case of those subjects who do not have the intention to get insured, the decision about life insurance is related to prioritization (41.7%), financial reasons (30.6%), the fact that they have not taken this into consideration yet (30.6%) or that they did not have sufficient information (30.6%).

Analyzing these reasons with respect to the investigated persons' gender, it appears that while men are more "suspicious" and believe that such a financial service cannot provide protection, the reasons related to financial priorities are more pronounced in women. Also, a greater number of females declared that the reason was "it is too early to take out such insurance."

Taking as a criterion the respondents' income, we can mention that the majority of those who intend to get insured (57.8%) have an income of less than 1500 RON. These potential buyers can contract a life insurance offered by a specialized company through a broker.

Regarding the motivations underlying the intention to buy life insurance, the most often mentioned by subjects were “advantageous tenders of the insurance company”, “I thought it is an effective way to invest money” and “financial strength of the insurance company”. In the interviewees’ opinion, ING meets prospects with the most economically advantageous offers.

While men are more sensitive to the consultant's methods of persuasion and to the company's financial strength, women are more practical, being very attentive to its advertising and carefully analyzing offers.

Regarding the sources of information used in choosing a life insurance, most respondents refer to the knowledge of insurance agents or experts, and to their relatives, friends, and acquaintances.

Further, individuals participating in the research were asked what life insurance means to them. Most of the respondents consider life insurance as a way to protect their family and also a way to protect themselves from unpleasant events. Taking into account the share of total responses, it should be noted that the third and fourth options chosen by the subjects refer to “a way of planning and wariness” and “a way to invest/ save money”, which means that, in comparison with the previous years, Romanians are starting to become more open-minded about life insurance services.

Regarding the importance the interviewees give to assurances, over 55% of them consider this type of insurance at least important. Considering this and the fact that only 15% of respondents give less importance to life insurance, the sixth hypothesis of this study will not be accepted.

We can assert that the importance of life insurance is determined by attitude towards this type of financial service, the relationship between them being direct, of medium intensity (see Annex 4). Most subjects who have a favorable attitude towards traditional life insurance consider the assurances category as important. At the same time, a significant percentage is represented by investigated individuals who have an indifferent attitude towards Unit-links, but who give a relatively high importance to life insurance.

As regards trust in life insurances, respondents were asked to give grades from 1 to 10, situation in which the majority chose the middle of the range. 55% of those investigated have a high degree of trust in assurances, associated with a grade higher than 7.

Another question included in the questionnaire of this marketing research refers to the value of life insurance premium. In this respect, most subjects believe that the price is slightly low, which invalidates the eighth hypothesis of the research. Analyzing the responses, it can be affirmed that life insurance companies have to deal with two different segments of potential buyers, so a price differentiation strategy would be considered adequate.

Interviewees were further asked to assess the diversity of services offered by life insurance companies. Based on the frequency table resulting from responses analyses, we draw the conclusion that about 50% of those surveyed believe that there is a great diversity of life insurance services on the domestic market.

When asked what they think of work quality of agents hired in the assurance sector, a percentage of 38% of respondents assessed the performance of an insurance agent as being of high quality or exceptional. Both this and the 12% of subjects who think that representatives of life insurance companies have a poor performance do not confirm the ninth hypothesis.

In terms of the quality of beneficiaries’ clauses contained in the contract of life insurance, most of the subjects (53%) evaluate it as being average, aspect that confirms the tenth hypothesis of the study.

Participants were asked to evaluate a few more aspects of life insurance policies as well as of intermediaries operating on these assurances market. Thus, the security presented by insurance intermediaries was appreciated by 27% of respondents as high or very high, but most of them either have not yet formed an opinion or consider this aspect as being average.

The transparency of calculations contained in an assurance policy was assessed by 35% of investigated people as high or very high. An average calculated for this aspect of a life insurance contract was 3.04 on a scale from 1 to 5, varying with  $\pm 1.072$ .

The next item evaluated by respondents was the flexibility in modifying life insurance policies, which was appreciated with an average of 3.08. 36% of those surveyed believe that the flexibility in modifying those contracts is large.

Regarding the flexibility in changing the life insurance type, the companies operating in the life insurance market have once again to do with two different segments of prospects; 34% of the subjects considered that it is high, and 33% were of the opinion that the change of the policy is possible to a small extension.

Computing a correlation between level of education and attitude towards the two main types of life insurance, we concluded that the former significantly influences neither the attitude towards traditional life insurance, nor the one towards Unit-linked insurances. Moreover, between the level of education and the potential buyers' attitude towards Unit-links there was recorded an indirect relationship, of low intensity.

Regarding the respondents' gender, it was found that there are significant differences with respect to their attitudes towards the two main types of life insurances, according to this aspect.

Another research finding is that between marital status and attitude towards life insurances with a protection component there is a direct relationship, of medium intensity. However, this characteristic of the potential buyers influences to a small extent their attitudes towards Unit-links.

#### **4. Conclusions**

Although Romanians, especially youths are not used to insure their life, the study has proven that this mentality is beginning to change.

The overall attitude of the population of Ploiesti towards life insurances is relatively favorable. There are however differences between the attitudes regarding the two main types of life insurance. While traditional life insurances, the life insurance system's pillar, generate a favorable attitude among the population of Ploiesti, Unit-links are those that attract rather indifferent attitudes from potential buyers.

Following correlations made between different socio-demographic characteristics of individuals and attitudes towards traditional life insurance it was outlined the following profile of people with a favorable attitude: aged between 26 and 35 years, with an income of less than 1500 RON, are high school or university graduates, from urban areas, can be either unmarried or married and are generally females.

With regard to life insurance with an investment component, people who have a favorable attitude towards this type of insurance possess the following characteristics: aged between 18 and 25 years, have an income of less than 1500 RON (which again underlines that the income does not significantly affect the population's attitude towards assurances), are university graduates, are unmarried, living in urban areas and are in most cases males.

Most of the individuals investigated know the local offer of life insurances in a proportion of less than 20%, but despite this they intend to take out such insurance in the future. One conclusion we can draw is that the Romanians began to make small steps toward understanding the role that life insurance has in protecting their family and themselves.

Considering the research results included in this paper, Romanian life insurance companies should create "products" tailored to the needs of the two segments of potential buyers described above and at the same time, to develop a more effective campaign to inform and educate consumers on life insurance.

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